

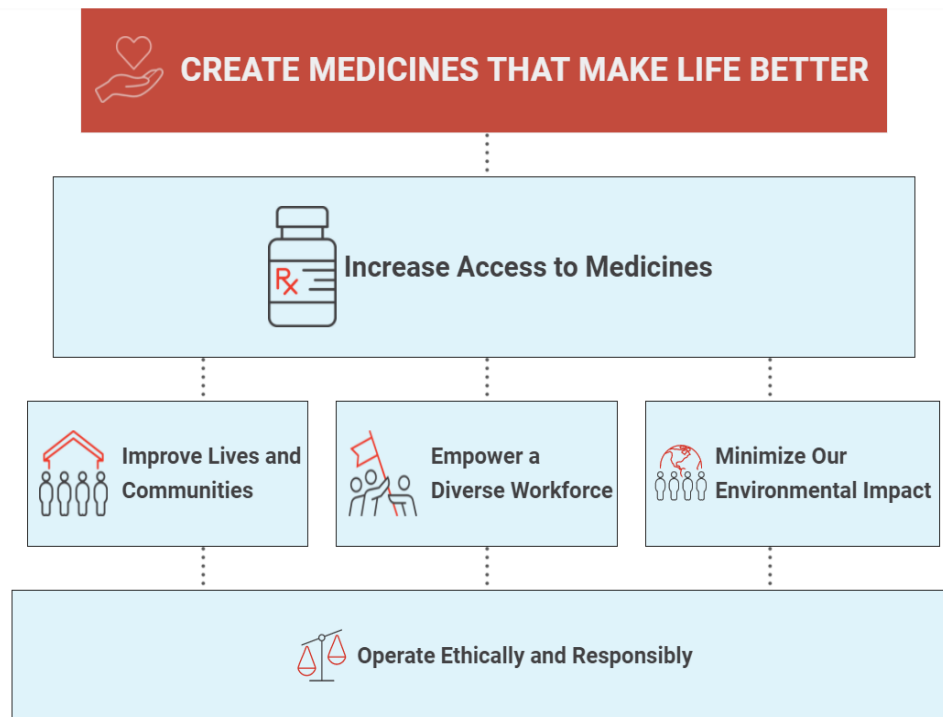


# **Sustainability Bond Allocation and Impact Report**

**2021**

# Approach to ESG at Lilly

Lilly's greatest contribution to society is the discovery and development of innovative medicines that make life better for people around the world, and our impact extends to how we operate our business, care for the environment and strengthen communities. Our core values of integrity, excellence and respect for people guide us to create positive change in our communities while minimizing our environmental impact. Our Environmental, Social and Governance (ESG) strategy and efforts are directed by our impact framework, and this framework leads with our purpose and includes five pillars that guide how we operate and contribute to the world.



## Lilly's ESG Priorities

Throughout our history, sustainability has been and continues to be central to Lilly, and we dedicate ourselves to ensuring that our sustainability efforts help address important issues for our business, our employees and society. After seeking input from a broad spectrum of stakeholders, we identified 13 ESG topics that represent issues we believe are most important to our stakeholders and are key to our company's long-term success.

### Environmental



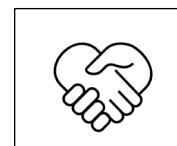
- Climate
- Water
- Waste
- Product Stewardship

### Social



- Access & Affordability
- Community Engagement
- Diversity, Equity & Inclusion
- Employee Well-Being
- Human Rights
- Patient Safety

### Governance



- Business Ethics
- Corporate Governance
- Supply Chain Management



# Sustainability Bond Overview and Eligible Projects

In September 2021, Lilly issued its inaugural sustainability bond that raised approximately €596 million of net proceeds that have been, and will continue to be, allocated to eligible projects as defined in [Lilly's Sustainability Bond Framework](#), which is aligned with the International Capital Market Association (ICMA) Sustainability bond Guidelines 2021. The 12-year bond will accrue interest at an annual rate of 0.50% and will mature on September 14<sup>th</sup>, 2033.



Sustainalytics, a leading independent ESG and corporate governance research, ratings and analytics firm, issued an [opinion](#) that Lilly's Sustainability Bond Framework is both credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021 and that investments in the outlined eligible project categories will lead to positive environmental or social impacts and advance the UN Sustainable Development goals.

## Environmental



## Eligible Projects

### Pollution Prevention and Control

Expenditures designed to minimize emissions to air and water or reduce waste disposed from our operations



### Energy Efficiency

Expenditures that reduce energy consumption by the design, construction, operation and/or maintenance of energy-efficient equipment, facilities and infrastructure



### Renewable Energy

Expenditures related to the purchase of renewable energy or acquisition or development of new onsite or offsite renewable energy generating capacity



### Sustainable Water and Wastewater Management

Expenditures that help to either improve water quality or water efficiency



### Clean Transportation

Expenditures for zero direct emission vehicles and associated infrastructure



### Terrestrial and Aquatic Biodiversity Conservation

Expenditures that improve protection of coastal, marine and watershed environments



## Social Impact



### Access to Essential Services: Healthcare

Expenditures related to improving access to free or subsidized quality health care for people living in either resource-limited settings or low- or middle-income countries, or for victims of socioeconomic crisis



### Socioeconomic Advancement and Empowerment

Expenditures related to widening access for women and minority group members



# Allocation of Net Proceeds

- We are continuing to make significant sustainability focused investments, and we issued this bond in September of 2021 with an intent to allocate the proceeds predominantly (85% or more) to post issuance environmental and social project spend.
- While initial allocations were weighted toward social impact projects and to projects in the lookback period given that the bond was issued in late-2021, we continue to expect that overall allocations will be predominately to post issuance project spend rather than spend in the 24-month lookback period and to approximately 70% environmental and 30% social impact projects.

## Total Proceeds Allocated

**€128 million\***

(21.4% of total allocated)

## Proceeds Allocated to Lookback Period Spend

**€90 million\***

## Proceeds Allocated to Post Issuance Period Spend \*\*

**€38 million\***

## Total Unallocated Proceeds

**€469 million\***

## Project Categories Financed

### Sustainable Water and Wastewater Management



**€3 million\***

### Pollution Prevention and Control



**€7 million\***

### Terrestrial and Aquatic Biodiversity Conservation



**€9 million\***

### Access to Essential Services: Healthcare



**€94 million\***

### Energy Efficiency, Renewable Energy and Clean Transportation



**€9 million\***

### Socioeconomic Advancement and Empowerment



**€6 million\***

## Looking Forward

- We remain dedicated to making an impact in the communities that we operate in and improving the environment around us by investing in sustainable focused projects to achieve our environmental, social and governance goals. Further details and current data regarding these goals and our progress can be found on our ESG website at [esg.lilly.com](https://esg.lilly.com).
- We also plan to continue reporting the allocation and impact progress on an annual basis until the full amount of net proceeds of the bond are allocated to eligible projects.

\* Amounts were translated from USD back to EUR using the foreign exchange rate of 1.1803, which was the foreign exchange rate on the date of debt issuance

\*\*Expenditures allocated to eligible projects after the bond issuance on September 14, 2021

# Select Featured Projects and Impact Metrics



## Access to Essential Services: Healthcare

Our approach to social impact begins with medicines and our goal to expand access to quality healthcare, especially those with limited resources. Beyond our medicines, we invest our time, expertise and resources to drive social impact with a focus on health, whether it is a health crisis like COVID-19 or a natural disaster.

Through investments in people, medicines and health systems, we aim to improve access to quality healthcare for 30 million people living in limited resource settings annually by 2030. We call this global effort Lilly 30x30. To achieve our goal, we have structured Lilly 30x30 as a company-wide effort in strategic collaboration with valued external partners. Lilly 30x30 initiatives include activities across three areas of impact: pipeline, programs and partnerships. In each of these areas, we are leading cross-functional teams to develop high-impact, scalable projects and solutions.

### Proceeds Allocated:

**Global Health**  
**€15 million\***

**Patient Assistance**  
**€50 million\***

**COVID-19 Testing**  
**€29 million\***

### Impact Metrics:

**~11.6 million**

**~1.5 million**

**172 thousand**



individuals reached  
by Lilly's 30x30

people reached in patient  
support programs

people helped  
through Lilly Cares



## Energy Efficiency and Pollution Prevention and Control

Making medicines requires the use of valuable resources including energy, water and raw materials, and each stage of the pharmaceutical product life cycle includes distinct environmental impacts and opportunities for improvement. We are committed to reducing our environmental impact across the life cycles of our products and our supply chain.

During the period, we began the implementation of a solvent recovery system that, once fully implemented, is estimated to reduce up to 27 million liters of solvent waste. We have also made progress on our waste and recycling goals, and we continue to invest in our Energy and Waste Reduction Fund and implement projects that reduce energy consumption, increase the utilization of renewable electricity and reduce emissions.

### Proceeds Allocated:

**Energy Efficiency,  
Clean Energy and  
Waste Reduction**  
**€9 million\***

**Solvent Recovery**  
**€7 million\***

### Impact Metrics:

**~1 million KWh**

**~2 million KWh**

**~1,300 tonnes**



per year of energy  
savings

of additional  
renewable electricity

per year of CO2  
savings



## Terrestrial and Aquatic Biodiversity Conservation

Lilly worked to validate an alternative method of endotoxin testing – a necessary step for our medicines – that does not require sourcing horseshoe crabs. Several species of crabs are under threat or endangered from habitat loss and overharvesting, which negatively affects the ecosystems and other species inhabited by horseshoe crabs. This industry-leading effort helped influence changes in the European pharmacopoeia in 2020 and may help facilitate broader industry adoption and conversion to endotoxin testing alternatives that do not require the use of horseshoe crabs or other live animals.

### Proceeds Allocated:

**Ecologically  
Sound Endotoxin  
Testing Method**  
**€9 million\***

### Impact Metrics:

**Five Lilly medicines were developed**

using the alternative endotoxin testing method, including three  
COVID-19 antibodies, and were authorized for use



\* Amounts were translated from USD back to EUR using the foreign exchange rate of 1.1803, which was the foreign exchange rate on the date of debt issuance

# Report of Independent Accountants

---



EY Indianapolis  
111 Monument Circle  
Suite 4000  
Indianapolis IN 46204

Tel: 317-681-7000  
ey.com

## Report of Independent Accountants

To the Management of Eli Lilly and Company:

We have examined management's assertion, included in Exhibit A, that €128 million of net proceeds from the issuance of 0.500% Notes due 2033 issued by Eli Lilly and Company (the "Company") was allocated during the period from September 14, 2021 through December 31, 2021 (the "Reporting Period") to qualifying Eligible Projects (as defined in the "Use of Proceeds" section of the Prospectus Supplement dated September 8, 2021, to the Prospectus dated February 19, 2019, filed by Eli Lilly and Company with the Securities and Exchange Commission pursuant to the Securities Act Rule 424 (b)(2) on September 10, 2021) based on the Eligibility Criteria set forth in Table 1 of Exhibit A (the "Eligibility Criteria"). Management of Eli Lilly and Company is responsible for the assertion, having a reasonable basis for its assertion, selection of the Eligibility Criteria and the allocation, during the Reporting Period, of amounts to Eligible Projects that meet the Eligibility Criteria. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of Eli Lilly and Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our examination engagement.

Our examination was not conducted for the purpose of evaluating (i) whether funds in excess of the net proceeds were allocated to Eligible Projects during the Reporting Period, (ii) the amount allocated to each category of Eligible Projects during the Reporting Period, (iii) the environmental benefits of the Eligible Projects, (iv) conformance of any Eligible Projects with any third-party published principles, standards or frameworks, such as the Sustainability Bond Guidelines dated June 2021, Green Bond Principles dated June 2021, and Social Bond Principles dated June 2021, published by the International Capital Market Association or (v) any information included in the Company's report or on the Company's website, other than management's assertion. Accordingly, we do not express an opinion or any other form of assurance other than on management's assertion included in Exhibit A.

In our opinion, management's assertion, included in Exhibit A, that €128 million of net proceeds from the issuance of the 0.500% Notes due 2033 was allocated during the Reporting Period to qualifying Eligible Projects, is fairly stated, in all material respects.

*Ernst & Young LLP*

August 4, 2022

## Exhibit A

### Eli Lilly and Company Management's Assertion on Use of Bond Proceeds

August 4, 2022

We, as members of management of Eli Lilly and Company (the "Company"), assert that €128 million of net proceeds (the "Allocated Amount") from the issuance of our 0.500% Notes due 2033, was allocated during the period from September 14, 2021 through December 31, 2021 (the "Reporting Period") to qualifying Eligible Projects (as defined in the "Use of Proceeds" section of the Prospectus Supplement dated September 8, 2021, to the Prospectus dated February 19, 2019, filed by Eli Lilly and Company with the Securities and Exchange Commission pursuant to the Securities Act Rule 424 (b)(2) on September 10, 2021) and set forth in Table 1 below (the "Eligibility Criteria"). Management of Eli Lilly and Company is responsible for this assertion, selection of the Eligibility Criteria and the allocation, during the Reporting Period, of amounts to Eligible Projects that meet one or more of the Eligibility Criteria. We obtained an opinion from a third party, a provider of ESG and corporate governance research and ratings to investors, to provide a second party opinion on the Lilly Sustainability Bond framework at the time of issuance, concluding that the Eligibility Criteria are in compliance with the Sustainability Bond Guidelines dated June 2021, Green Bond Principles dated June 2021, and Social Bond Principles dated June 2021, published by the International Capital Market Association.

**Table 1: Eligibility Criteria**

Pollution Prevention and Control	Expenditures designed to minimize emissions to air and water, and reduce waste disposed from our operations.
Energy Efficiency	Expenditures designed to reduce energy consumption by the design, construction, operation, and/or maintenance of energy-efficient equipment, facilities and infrastructure.
Renewable Energy	Expenditures related to the purchase of renewable energy, or acquisition or development of new onsite or offsite renewable energy generating capacity.
Sustainable Water and Wastewater Management	Expenditures that improve water quality or water efficiency.
Clean Transportation	Expenditures for zero direct emission vehicles and associated infrastructure.
Terrestrial and Aquatic Biodiversity Conservation	Expenditures that improve protection of coastal, marine and watershed environments.
Access to Essential Services: Healthcare	Expenditures related to improving access to healthcare by providing free or subsidized quality healthcare for people in target populations that include, but are not limited to, people living in resource limited settings, those living in low and/or middle income countries and victims of socioeconomic crises, such as the COVID-19 global pandemic. This includes but is not limited to treatments for major causes of death as defined by the World Health Organization, including efforts on treatments for major causes of death such as insulin.
Socioeconomic Advancement and Empowerment	Expenditures related to widening socioeconomic access for women and minority populations, including, but not limited to, ethnic and racial minorities and members of the lesbian, gay, bisexual, transgender or queer community.

**Note 1:** The Allocated Amount for investments in Eligible Projects set forth above may include amounts allocated during the Reporting Period to new investments made by Eli Lilly and Company during the Reporting Period, as well as to existing investments made by us up to two years prior to September 14, 2021, the date of issuance.

**Note 2:** Proceeds are considered allocated when goods or services are approved for payment. Some of the amounts allocated to projects have not yet been disbursed and represent future outlays.

**Note 3:** €94 million of the total allocated proceeds of €128 million was allocated to the Access to Essential Services: Healthcare category of Eligible Projects.

**Note 4:** Allocated amounts for investments in Eligible Projects were translated from USD back to EUR using the foreign exchange rate of 1.1803, which was the foreign exchange rate on the date of debt issuance.



## **Lilly Cautionary Statement Regarding Forward-Looking Statements**

This report contains forward-looking statements that are based on management's current assumptions and expectations, including statements regarding our sustainability targets, goals, commitments and programs and other business plans, initiatives and objectives. The words "estimate", "project", "intend", "expect", "believe", "target", "goal", "anticipate," "aim," "drive," "strategy," "may," "plan," "project," "will" and similar expressions are intended to identify forward-looking statements. All such statements are intended to enjoy the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995, as amended. Actual results may differ materially due to various factors. Lilly's sustainability targets, goals, and commitments outlined in the Sustainability Bond Framework (this "Framework"), this Allocation report, or elsewhere, as well as its operations, results, business, goals, and strategy may be affected by factors including, but not limited to, the impact of the evolving COVID-19 pandemic and the global response thereto; the significant costs and uncertainties in the pharmaceutical research and development process, including with respect to the timing and process of obtaining regulatory approvals; competitive developments affecting current products and the company's pipeline; regulatory actions regarding currently marketed products; litigation, investigations, or other similar proceedings involving past, current, or future products or commercial activities as the company is largely self-insured; the impact of business development transactions and related integration costs; the impact of global macroeconomic conditions and trade disruptions or disputes, including related to war or political unrest; changes or developments in laws and regulations, including health care reform; the impact of climate change; and additional risks described in this Allocation Report or in the Framework. For additional information about the factors that affect the company's business, please see the company's latest Forms 10-K, 10-Q, and any 8-Ks filed with the Securities and Exchange Commission, and any additional risk factors that may be provided in any offering documents. The company expressly disclaims any obligation to update forward-looking statements except as required by applicable law.



*Lilly*